

EXHIBIT 16

DECLARATION OF DAVID PAUL NORTON

I, David Paul Norton, declare as follows:

1. I am the vice president for research at the University of Florida (UF) in Gainesville, Florida. I have held that position since 2012.

2. I have personal knowledge of the contents of this declaration, or have knowledge of the matters based on my review of information and records gathered by the University of Florida personnel, and could testify thereto.

3. The University of Florida receives substantial annual funding from the National Science Foundation (“NSF”). In FY2024, research awards to the University of Florida that were funded by the NSF totaled \$63,865,445 of which \$48,184,071 were for direct costs and \$15,681,373 were for Facilities & Administration (F&A), sometimes referred to indirect costs. These awards were received within a portfolio of 294 distinct NSF awards.

4. The University of Florida intends to apply for new funding awards, and/or renewals and continuations of existing funding awards, in the next year and in future years to come.

5. The funding that the University of Florida receives from NSF supports critical and cutting-edge research vital to our nation’s security and economic prosperity. Millions of Americans benefit from and depend on this research. For example:

- a. The University of Florida’s semiconductor research includes an NSF-funded university/industry partnership program that focuses on building a collaborative ecosystem of researchers, manufacturers, suppliers, workforce, and economic development experts to grow the Florida-based semiconductor chip industry.

- b. In another NSF-funded project, UF researchers are developing cybersecurity technologies that will protect the security of vulnerable persons within US society.
- c. In another NSF-funded project, UF researchers and staff are helping veterans develop skills in cybersecurity, thus making them more competitive in the civilian workforce.
- d. In another NSF-funded project, UF researchers are using artificial intelligence to exam microscopy images of semiconductor chips to identify the insertion of devices that provide for nefarious cybersecurity access via hardware pathways.

6. Reimbursement of the University of Florida's indirect costs is essential for supporting this research. NSF's cutting of indirect cost rates to 15% would preclude carrying out the kinds of research projects described in paragraph 5 in the future.

7. Indirect costs include operating UF's cleanroom for nanotechnology research, professional staff for reviewing and mitigating foreign influence and export control risks, providing for centralized research computing, and financial stewardship infrastructure for NSF awards. Without this critical infrastructure, UF simply cannot conduct the research.

8. For example, with respect to the areas of research described in Paragraph 5:

- a. The referenced semiconductor research requires cleanrooms for chip and device assembly
- b. The cybersecurity research requires access to advanced computational resources

- c. Cybersecurity and semiconductor research requires the personnel infrastructure necessary to protect against unwanted foreign influence or export of controlled or sensitive technologies.
- d. The referenced research that uses artificial intelligence requires the large research computing infrastructure at UF.

9. Physical facilities costs are one of the largest components of indirect costs. This includes not only the usual costs of constructing and maintaining buildings where research occurs, but the very high costs of outfitting and maintaining specialized laboratory space, which can require special security, advanced HVAC systems, and specialized plumbing, electrical systems and waste management, as well as specialized laboratory equipment. The cleanrooms referenced in section 7 required highly controlled environments for semiconductor and nanotechnology research. The features and amount of space available to researchers have a direct and obvious impact on the nature and amount of research that can be done at the University of Florida. Without reimbursement of indirect costs, the University of Florida will not be able to continue the operation of the semiconductor/nanotechnology cleanroom, nor support the centralized computing infrastructure needed for UF's cybersecurity and artificial intelligence research.

10. In addition, indirect costs fund the administration of awards, including staff who ensure compliance with a vast number of regulatory mandates from agencies such as NSF. These mandates serve many important functions, including ensuring research integrity; protecting research subjects; properly managing and disposing of chemical and biological agents and other materials used in research; managing specialized procurement and security requirements for sensitive research; managing funds; preventing technologies and other sensitive national security information from being inappropriately accessed by foreign adversaries; providing the high level

of cybersecurity, data storage, and computing environments mandated for regulated data; ensuring compliance with specialized security protocols and safety standards; maintaining facility accreditation and equipment calibration to meet research quality and security standards; and preventing financial conflicts of interest.

11. Recovery of the University of Florida's indirect costs is based on predetermined rates that have been contractually negotiated with the federal government.

12. Through UF's fiscal year 2025, the predetermined Modified Total Direct Cost (MTDC) indirect cost rates are 52.5% applicable for on-campus Organized Research, 32.6% for on-campus Other Sponsored Activities, 47.5% for on-campus Instruction, and 26% for off-campus

13. The effects of a reduction in the indirect cost rate to 15% would be devastating. Of the \$63,603,647 in expenses funded by the NSF to the University of Florida in fiscal year 2024, approximately \$47 million consisted of payment of direct costs and \$17 million consisted of reimbursement of indirect costs. Similarly, in fiscal year 2025, the University of Florida expects to receive \$47 million in NSF funding for direct costs and \$17 million in NSF funding for indirect costs. And over the next five years, the University of Florida anticipates receiving an average of approximately \$47 million from the NSF for annual direct costs. Based on the predetermined indirect cost rate of 53.5%, UF's new rate starting July 1, 2025 that was agreed upon by the federal government as of March 7, 2025, and applying that rate to the direct costs (as modified pursuant to the CFR), the University of Florida reasonably expects to receive approximately \$17 million in indirect cost recovery on an annual basis over the next five years.

14. If—contrary to what the University of Florida has negotiated with the federal government—the indirect cost rate was reduced to 15% for new awards, that would significantly reduce the University of Florida's anticipated annual indirect cost recovery. For example, applying

the 15% rate to the anticipated modified direct costs over the next five years, the University of Florida's anticipated annual indirect cost recovery would be reduced by approximately \$11 million, from \$17 million each year to \$6 million each year.

15. This reduction would have deeply damaging effects on the University of Florida's ability to conduct research from day one. Many of the University of Florida's current research projects will be forced to slow down or cease abruptly if forced to apply for renewals at the 15% indirect cost cap. This will also necessarily and immediately result in staffing reductions across the board. For example:

- a. The University of Florida would need to immediately begin to reduce the costs associated with semiconductor cleanrooms and research computing principally through reduction in staff. This would significantly hamper our ability to continue with critical research projects, and in turn jeopardize our ability to contribute to the nation's security and economic competitiveness. Moreover, staff who have the requisite knowledge and experience to work on such projects are in exceedingly high demand and require the University to compete nationally. Even if funding were later restored, it is highly likely that the University would not find qualified individuals to fill these positions. Ultimately, top scientists will not move to (or stay at) the University if it cannot provide the facilities necessary to conduct world-class research.
- b. The University of Florida Research Integrity, Security & Compliance (RISC) unit is charged with ensuring regulatory and institutional compliance for all research activities. Critical areas include research integrity, research misconduct, research security, export control, and conflict of interest. Without

appropriate funding for indirect costs, the University would have to reduce staffing within RISC by an amount that would immediately impact its ability to ensure university compliance with federal regulations.

- c. The University of Florida's Division of Sponsored Programs (DSP) is responsible for the submission of all research proposals for faculty researchers as well as award setup and contract negotiations for the entire campus. Without appropriate funding for indirect costs, the University would have to reduce staffing within DSP by at least 6-8 individuals, crippling its ability to submit proposals, negotiate awards, and setting up subcontracts to be consistent with the funding agency's accountability requirements.
- d. The University of Florida's Research Division of Contracts & Grants is tasked with the financial stewardship of all federal awards including those from the NSF. This unit is responsible for sponsored project set-up, determining the allowability of costs, billing, accounts receivable, financial reporting, cost sharing, and grant closeout. Without appropriate funding for indirect costs, the University would have to reduce staffing within Contracts & Grants by at least 6-8 individuals, thus crippling the University of Florida's ability to meet its obligations to manage federally-funded grants, including grants from the NSF so as to meet the funding agency's accountability requirements.

16. The cap of 15% on indirect costs will have an immediate and devastating effect. At present, the University of Florida has two proposals due for submission to the NSF on May 5, 2025. The total direct charge funding from these two proposals combined is approximately \$800,000. If the University of Florida agrees to submit these proposals at the capped indirect cost

rate of 15% as now required by the NSF, UF would forfeit approximately two hundred sixty thousand dollars in unrecovered indirect costs over the life of the project if funded. This unsustainable loss in unrecovered indirect costs exposure would be repeated in the coming days as more NSF proposal deadlines are encountered. The University of Florida is unable and unwilling to absorb these cost and instead will submit the proposals at UF's negotiated rate, understanding the risk that the proposal may be immediately rejected by the NSF due to failure to accept the 15% cap. Even if the proposals were able to be resubmitted at a later date at UF's negotiated rate, the time-induced opportunity costs in exploring research ideas potentially yields discoveries to competitors in other countries, costing the US its strategic advantage in being first to innovate.

17. The University of Florida has for decades relied on the payment of indirect costs. And until now, it has been able to rely on the well-established process for negotiating indirect cost rates with the government to inform its budgeting and planning. Operating budgets rely on an estimate of both direct and indirect sponsored funding to plan for annual staffing needs (*e.g.*, post-docs, PhD students, and other research staff), infrastructure support (*e.g.*, IT networks, regulatory compliance, and grant management support), and facility and equipment purchases. And in some cases, the University of Florida has long-term obligations—for example, tenured faculty salaries, graduate student support, and bond payments related to laboratory renovation—and it relies on budgeted grant funding, including associated indirect cost recovery, to fulfill these commitments.

18. In addition to the immediate impacts and reliance interests described above, there are longer term impacts that are both cumulative and cascading. These include safety issues from lack of staffing for environmental health and safety, as well as cybersecurity and export control oversight due to reduction in staffing for these functions.

19. Disruptions to the University of Florida's research enterprise will also have negative effects in the city of Gainesville FL, the state of Florida, and the broader region as the University of Florida's research enterprise feeds the University of Florida's technology transfer and business incubator programs that are internationally recognized as among the best in the US. Thousands of Florida residents are directly employed by the University of Florida—and it collaborates with state and local partners to help solve regional challenges through joint research and innovation. The University of Florida's research also fuels spending in the regional economy, including by driving discoveries that launch new ventures, attract private investment, and make a positive social impact. A massive reduction in the University of Florida's research budget would immediately and seriously jeopardize these contributions to the local region and to the state of Florida.

20. Finally, slowdowns or halts in research by the University of Florida and other American universities will allow competitor nations that are maintaining their investments in research to surpass the United States on this front, threatening both our Nation's national security and its economic dominance. The University of Florida's research enterprise includes research in cybersecurity. Disruptions in the University of Florida's research in these areas will place the country and its economy at greater risk.

21. Nor can the University of Florida cover the funding gap itself. With a business model most heavily dependent on research funding, student tuition and state appropriations, it is neither feasible nor logical to seek financial assistance from student tuition or Florida tax payers to subsidize work for the US federal government. While the University of Florida maintains an endowment, it is neither feasible nor sustainable for the University of Florida to use endowment funds or other revenue sources to offset shortfalls in indirect cost recovery, for several reasons:

- a. The majority of University of Florida’s endowment is restricted to specific donor-designated purposes, such as scholarships, faculty chairs, and academic programs. The University of Florida is not legally permitted to use those funds to cover research infrastructure costs per those donor agreements.
- b. Even the portion of the endowment that is unrestricted is subject to a carefully managed annual payout, to ensure long-term financial stability for the institution.
- c. As a public university tasked by the state of Florida to carefully steward its resources, the University of Florida reinvests nearly all of its revenue into mission-critical activities, leaving little margin to absorb unexpected funding gaps. Unlike for-profit organizations, the University of Florida does not generate significant surpluses that could be redirected without impacting core academic priorities such as educational programs and financial aid support for students.

22. Moreover, absorbing the cost of a lower indirect cost rate, even if it were possible, would create long-term budget pressures on the University of Florida—which would in turn force reductions in key investments supporting the University of Florida’s faculty, students, staff, research, and teaching infrastructure, as well as other critical activities needed to maintain the University of Florida’s academic excellence.

23. If the University of Florida can no longer apply for NSF grants because it is unable to accept the new indirect cost rate cap, the harms described herein would be exacerbated. That greater loss in funding from NSF would mean more significant cost-cutting measures would need to be adopted—and quickly. The University of Florida cannot “float” all of the indirect costs it

would likely lose coverage for – nor could it float NSF grants altogether if it is not able to accept the 15% cap – so some research projects would need to be terminated altogether, and others would need to be scaled down or pared back significantly. The process of identifying these cuts would need to begin immediately, and layoffs, closures, and research pauses or contractions would follow soon thereafter. Cutting back on the University of Florida’s research in fields such as semiconductors, cybersecurity and artificial intelligence will also have long-term implications on national security and the American economy.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on May 5, 2025, at Gainesville, Florida.

David P. Norton

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